

Actions: The IRS should continue to improve and promote the use of the Internet to provide new services and products (FP09.13).

Got A Question for the IRS?

Try the IRS Homepage on the World Wide Web

<http://www.irs.ustreas.gov>



III. A Customer Service Revolution

In 1993, President Clinton issued an Executive Order calling for a “customer service revolution” in how government agencies provide services to the American public. Nothing less could change the underlying systems and behavior that have evolved in many government agencies over decades of doing business the old way.

Since its creation in 1862, the IRS has always had two roles. It is charged with collecting nearly all of the revenue due to the federal government. Yet it is also expected to promote voluntary compliance with the tax laws by serving its customers, the taxpayers. As the National Commission on Restructuring the Internal Revenue Service brought to light in its 1997 report, the IRS often gets conflicting messages from oversight organizations about which role comes first. In the past, the IRS has heavily favored tax collection, with customer service taking a back seat. Perhaps this is no more clearly illustrated than in staff distribution: 60 percent of the more than 100,000 IRS employees are engaged in enforcement, 8 percent in customer service.⁵ Similarly, the current mission statement of the IRS does not place enough emphasis on customer service.

The President, the Congress, oversight bodies and the public have recently said in no uncertain terms that they

expect more than tax collection from the IRS. They are calling for the same customer service revolution that has transformed American industry over the last decade. Their expectations have been rising, especially as information technology has enabled banks and credit card companies, for example, to offer information and service 24 hours a day with even higher standards of accuracy, courtesy and convenience. National parks, the Postal Service, and other public agencies, including federal regulatory agencies, are showing that it is possible to provide customer service that is equal to the best in business.

As President Clinton said on October 10, 1997, "It is clear that in spite of our best efforts, there remain significant problems and challenges at the IRS." To achieve lasting change in how the IRS interacts with the public, the organization must fundamentally change how it views and treats taxpayers. The IRS must work much harder to prevent violations and penalties in the first place and turn to one-on-one enforcement as a last resort. Old measures that strongly emphasize enforcement must be balanced with new measures that encourage customer service. And the IRS must shift how it selects, trains and supports its employees so that they can provide the service that the American people deserve.

These changes could lead to the kind of cultural shift that is needed so that the IRS can not only provide first-class service but also regain the trust and confidence of its customers — the vast majority of America's taxpayers who work hard, obey the law and pay their fair share.

III.a Treat Taxpayers As Customers

"When it comes to the IRS — indeed when it comes to every part of government — our philosophy is simple: the taxpayers don't work for us, we work for them."

Vice President Gore

Background: Making the shift to a customer-focused organization requires major changes for the IRS — listening to customers through surveys and other methods, measuring how well it serves customers, holding managers and employees accountable for how taxpayers are treated, and acting rapidly to address complaints. In sum, it requires a revolution in customer service.

The problem, in this case, is not information; the IRS knows a lot about its customers. Using surveys and focus groups conducted by the IRS and outside groups since the 1960s, the Task Force was able to get a clear picture of the IRS customers. The data documented how different the needs and concerns were of different customer segments. Looking at five different customer segments — individuals, the self-employed, small businesses, large businesses and tax preparers — the Task Force found that each group had very different needs at different points in time.

Telephone assistance illustrates the differences. All taxpayers want improved access on the telephone, fewer busy signals, shorter waits and more accurate responses to their questions. Small business people, for their

Customer Segment Profiles

Customer Segment	Definition	Selected Key Events
Individuals	Taxpayers who receive income subject to tax reporting.	Enter job market, relocate, retire, receive inheritance, marry, have a child, pay child care expenses, die, divorce, buy or sell a home.
Self-Employed	Individuals subject to business tax reporting (e.g., sole proprietors).	Start business, keep up with major regulatory law and market changes, deal with investment or financial loss, keep tax records for both individual and business taxes.
Small Businesses	Businesses (partnerships, proprietorships, corporations, exempt organizations) that have fewer than 500 employees, regardless of revenue generated.	Start new product lines, hire employees, develop the business, add new locations, incorporate, incur casualty or operating losses, change technology, keep tax records, prepare tax return(s), sell or merge business.
Large Businesses	Businesses (corporations, partnerships, exempt organizations) that have more than 500 employees.	Hire employees, develop new product lines, add space or equipment, experience domestic market or regulatory changes, restructure, add fringe benefits, change business strategy, maintain tax records, sell or merge business, close business.
Partners	Organizations that work with taxpayers or the IRS on tax administration issues (e.g., tax preparers, state and local governments).	Educate the public about tax requirements, prepare returns, recommend ways for the IRS to improve operations and customer service.

part, want to be able to reach the IRS after business hours and on weekends. Large businesses want to get through during business hours but want their employees to be able to call the IRS after work. Individuals and the self-employed want to talk to the IRS at almost any time of day — whatever accommodates their particular situation. Tax practitioners were the most satisfied group; they were pleased with the dedicated telephone services that the IRS has in place in local offices during business hours.

A second Task Force finding was that all groups face periodic changes in their tax status. They have to learn new tax rules at precisely those times when they confront major changes in their lives — getting married, buying a house, having a baby, starting a new business, experiencing a spouse's death, or retiring. Although they want to “get it right” at these times in their lives, learning about changing tax requirements is rarely a primary consideration.

The Task Force found that there were other customer characteristics that were important to how the IRS delivers its services. Language is a growing issue for both individual taxpayers and businesses, with more than 13 million Spanish-speaking adults in the U.S. today and more than 860,000 Hispanic-owned businesses. Many older Americans need forms with larger type and convenient in-person assistance. First-time filers need customized help. Customers who have been hit by a flood or other natural disaster need extra time and special help. Finally, the Task Force found that customer needs change over time as the population itself changes.

Actions throughout this report address the needs of various customer segments. To continue the focus on customer

Future Customer Trends* / Potential Impact on the IRS

An older population

17% of population over 65 by 2020 (A 25% increase since 1990)

- Increased demand for assistance
- Increased medical expenses, pension income

Older, working-age population

Fastest growth in 50 to 64 year old group between 1996-2006

- More complicated returns
- More use of preparers

Smaller households

Continued growth of single-person households and single-parent families to nearly 35% of the population by 2010

- Need for assistance after normal working hours and on weekends
- Special tax credit issues, such as the Earned Income Tax Credit

Larger foreign language speaking population

Immigration will account for 66% of U.S. population growth over the next 50 years

- Increased need for tax products and information in other languages

More self-employed taxpayers

72% growth from 1970 to 1994

- Need for better educational materials for both the employers and the employees

* Data provided by the Bureau of Labor Statistics

information, the Task Force calls for customer feedback to be integrated effectively into the IRS measurement system (See Section III.c.).

In its examination of private sector models, the Task Force found three common characteristics among successful service companies — they value and act upon customer feedback; their organizations are aligned to serve customers; and customer satisfaction is at the core of their measurement systems.

In customer-focused organizations, data about customers affect everything the companies do. They influence what the companies produce and market and the services they provide. These companies value customer feedback and

complaints, and customers' concerns are assessed as a routine part of decision-making. Managers welcome feedback from front-line employees and seek opportunities to interact with customers. These companies are also organized to respond to customer needs and see customers as a core part of their mission.

• Lead The Way

Problem: If the IRS is to become customer-focused, senior managers across the organization must send a clear message that change is required and remove the barriers to providing top-quality customer service.

Actions: Leadership will set the pace for the reinvention of customer service in the IRS. Managers from the Commissioner on down should spend time each year serving customers directly (HP18.2). IRS leadership should review and remove barriers, both organizational and structural, that prevent effective job performance (HP11.3) and establish a uniform set of leadership competencies for all levels of management (HP18.1).

Managers will encourage and empower teams in a customer-focused workplace. IRS employees trained to answer a customer's inquiry should be allowed to answer that question whether assigned to that specific issue or not (HP11.2). Furthermore, to encourage greater innovation, front-line managers should be able to approve employees' suggestions to improve customer services and products, but need to get the approval of the next level of management before turning down their suggestions. Any proposals that are turned down need to be shared with the Ideas Advocate (See Section III.d.) (HP11.1).

• Build A System That Focuses On Customers

Problem: Most of the IRS is organized around internally-defined functions, rather than the needs of customers. Furthermore, there has not been an internal champion for customers or for spreading the ideas and best practices that would improve customer services and products. The Task Force found that customer satisfaction data have been rarely used in making operational decisions and have historically had only a limited impact on IRS operations. For example, without knowing how important the dedicated telephone service is to tax preparers, the IRS had planned to eliminate it as part of a budget-cutting exercise. In another example of the organization's internal focus, the Task Force found that the IRS often tested its notices for clarity on employees already familiar with the subject of the notice, rather than on customers.

Actions: The IRS should begin to refine customer segments and key events for each of those segments as they relate to those customers' tax responsibilities (CF02). Any realignment of the IRS organization should include an emphasis on excellent customer service (CF03). Many of the recommended actions in this report will help create a system that is focused on customers — a measurement and performance system that values customers and a feedback system that regularly obtains and uses customer input (CF04).

The IRS should create a long-term program to make its culture more customer-friendly. The program should engage the IRS workforce at all levels; challenge long-held values and beliefs about how the organization works and carries out its mission; and hold the IRS and its

employees accountable for providing excellent customer service (HP10.1). To be successful, the program should use four fundamental strategies:

- Establish and write out a clear mission statement to guide the bureau;
- Engage all executives and managers in leading change;
- Align the bureau's policies, procedures, systems, and structures to support employees as they work toward the accomplishment of the new purpose; and
- Gain the commitment of all members of the workforce (HP10.2, HP10.3).

The IRS should also continue to compare its performance with benchmarks from private industry and other government agencies and establish a means to institutionalize best practices (HP13.1). Another important method of reinforcing the organizational change is to communicate early successes in program and policy changes throughout the organization (CM06.1).

• Seek Changes In The Tax Code

Problem: The Tax Code's complexity burdens taxpayers and impedes compliance. While the Task Force did not focus its efforts on tax reform, it identified a number of ways in which the complications of the tax code make it difficult for the IRS to meet customers' needs.

Actions: As it has done in the past, the IRS should identify provisions of the Internal Revenue Code requiring improvement or simplification, consistent with other important tax policy goals — including considerations of fairness, equity, economic efficiency, progressiveness and

revenue collection (FP05.1). The IRS should maintain ongoing communication with the Treasury Department to identify existing Code provisions that are sources of significant compliance or administrative burdens for taxpayers or the IRS, and develop proposals to reduce these burdens (FP05.2). In addition, the IRS should work with private sector groups, such as bar associations, professional tax associations and academic groups, to identify and develop proposals to forward to the Treasury Department to improve and simplify the Code (FP05.3).

- **Develop A New Mission Statement**

Problem: The IRS mission statement does not provide a clear direction that emphasizes service to the taxpayer.

Actions: The IRS should develop a simpler and more focused mission statement that commits to serve taxpayers as customers (CF01). In line with the new IRS mission, taxpayers will be able to pay their taxes with a check made out to the United States Treasury instead of the IRS (FP08.1).

III.b Ensure Fair Treatment For Taxpayers

Background: Voluntary compliance is the cornerstone of the U.S. tax system. Over the past 15 years, 83 cents of every dollar due to the U.S. government has been paid voluntarily by taxpayers, a compliance rate that is one of the highest in the world. Nonetheless, the rate has been essentially unchanged for almost two decades.

The stakes are high. The voluntary compliance rate of 83 percent still means that 17 cents of every dollar due is not voluntarily paid. Every one percent in additional compliance represents an additional nine billion dollars for the U.S. Treasury. Uncollected revenue affects every American who pays taxes in full and on time, and gives an unfair advantage to those who do not pay their fair share.

The IRS, responsible for fairly collecting the money to pay America's bills, seeks the most effective strategies to do so. Like most other regulatory agencies, the IRS has focused on one-on-one enforcement — audit, collection, and investigation of fraud. Last year, IRS enforcement efforts collected \$30 billion in revenue beyond taxes paid voluntarily, pushing the collection rate up to 87 percent. Penalties, part of the “downstream” end of compliance, have mushroomed. From the original 13 penalties listed in the 1954 Internal Revenue Code, today there are about

150 penalties, which amounted to \$13.2 billion in assessments in 1996.

Customers have several appeal options if they do not agree with the IRS's position on the amount of taxes they owe. One is to seek an internal remedy using an IRS Appeals Officer. Appeals officers may reverse all or part of an audit recommended assessment, based upon individual case circumstances and facts. Currently, there is no national tracking system that records the reasons why some audit-recommended assessments are reversed while others are not.

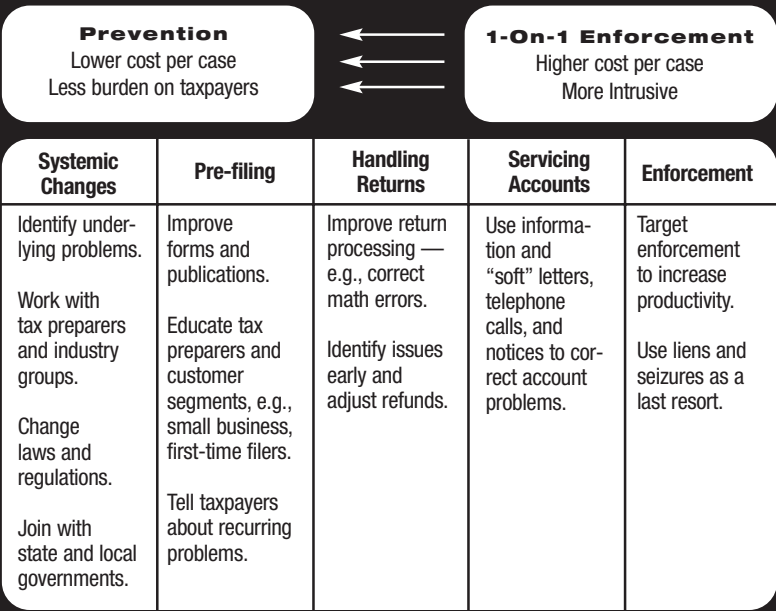
Increasingly, the IRS and other regulatory agencies are concluding that giving more attention to early intervention and preventing problems have a significant impact on compliance. Regulatory agencies are working "smarter" — seeking to understand where compliance problems lie and to focus efforts on them. The Task Force found that in many other agencies this involves establishing a partnership with the groups that are regulated.

The focus on prevention and partnership is getting results. For example, the Coast Guard, without adding a single regulation, worked with the towing and barge industry to help reduce safety violations and cut by half fatalities among crew members. By working with the pharmaceutical industry, the Food and Drug Administration cut the average time for approval of drugs from 23 months to 15.

Successful IRS research and pilot projects demonstrate the benefits of moving compliance efforts upstream. For example, in 1995 the North Florida District Office's research staff analyzed the problem of 6.2 million returns nationally that contained Social Security numbers for

dependents who were claimed on at least two tax returns (a dependent can be claimed on only one return). Rather than assuming this entire population of taxpayers was flouting the law, the researchers took a closer look and found that there were a number of reasons for the duplicate numbers. Many taxpayers had correctly claimed the deduction. Some had made a mistake on a Social Security number, others simply didn't understand the law and still others were knowingly claiming a fraudulent deduction. Furthermore, about a third of the taxpayers made the same claim year after year.

Moving Compliance Efforts Upstream



The North Florida District researchers next tested a tailored approach to improve compliance. They sent two "soft" letters to a sample of some 14,000 taxpayers. One

letter asked them simply to correct the problem the following year if necessary. The second letter added a request for an amended return. Both worked; the percentage of taxpayers who repeated the duplicate claim dropped from a rate of 35 percent to 15 percent. Because of this test, the IRS will be able to focus its future enforcement efforts on the much smaller group of taxpayers who failed to respond to the “soft” approach. The IRS estimates that using this approach in the next filing season could generate more than \$100 million in annual revenue and place less burden on taxpayers who want to get their taxes right.

Another innovative group of IRS employees, the Ag Team, has been working with agricultural businesses in Central California’s wine-producing San Joaquin Valley to help growers and labor contractors comply with tax laws. The Ag Team activities include visiting farm shows and fairs, and even speaking about taxes at the annual growers luncheon. “Ninety-five percent [of these businesses] want to do things right, but only fifty percent know how. We still need to be tough with the five percent who could care less. But the real payoff is in teaching the honest folks the rules,” says one of the Ag Team members. In 1993 businesses in the Ag Team’s jurisdiction owed the government \$11.1 million in past due taxes. As of last year, that figure was down to \$240,000.

Elsewhere in the country similar approaches to working with industries are being tried and adopted by the IRS. In the Maine fishing industry, battered by brutal foreign and domestic competition for depleted fishing stocks, many fishermen developed serious tax problems, from unreported income to improperly claimed credits for fuel

taxes. To resolve the fuel tax problem, the IRS sent a low-key letter to about 1,400 fishermen informing them of the problem and indicating that if it applied to them, they might want to amend their tax returns. More than 1,000 of them voluntarily did so and sent in payments, which totaled more than \$500,000.

The Task Force found that encouraging voluntary compliance requires a range of approaches. No single organizational approach or model can be applied across the IRS or across every industry. What works with California labor contractors may not work with restaurant owners in New York City, so research and customer feedback is critical to developing effective approaches. The specific strategies may vary by location and customer segment, but these principles are common to nearly all situations:

- Help people understand their obligations and how to meet them;
- Catch problems early;
- Treat taxpayers equitably;
- Work with customers and others who are affected;
- Decrease the burden on taxpayers;
- Test alternative strategies; and
- Use enforcement as the last resort.

• Help Taxpayers Get It Right

Problem: Like most other regulatory agencies, the IRS has focused more on pursuing violators than on preventing violations. Prevention is less costly for the IRS than traditional one-on-one enforcement, far less threatening and traumatic for taxpayers, and, as pilot projects and best practices from other agencies demonstrate, more effective in some situations.

Actions: The IRS should identify compliance trends and customer segments where tax assistance, education and other “upstream” methods can help people pay their taxes correctly, thus avoiding tax trouble. The IRS should — where appropriate — expand prevention strategies, such as the approach tested by the North Florida District Office of Research and Analysis, to other districts (C106.2).

To generate more effective preventive strategies, the IRS should continue to develop its compliance research database and models to analyze compliance behavior. It should also continue to support existing research and analysis programs in district offices and the data models at the heart of the research database (C106.1, C106.3).

The Electronic Transcript Delivery System has been tested under small-scale field testing. This system was developed to provide fast, accurate taxpayer information to customers who have been authorized by Congress or given explicit permission by taxpayers to receive it. This system is being tested to provide income and compliance verification electronically within 24 hours rather than days or even weeks. To help people get the right information from the IRS when they need it, the IRS should roll out this transcript delivery system (C106.4) to provide more accurate information to customers and to authorized third parties on a 24 hour turn-around. This should translate into faster production of tax records for people seeking bank loans, less red tape for disaster victims struggling to put their lives back on track, and — an important benefit to lenders and the government as a whole — less loan fraud.

The IRS should develop a transition plan to improve compliance (C106.5), and find a way for districts to share effective

compliance improvement strategies more easily (C106.6). It should also establish a new internal measurement system, the Alternative Treatment Revenue Measure, to give districts credit for results from these new compliance strategies (C106.7). The IRS should move more of its workload “upstream” in the compliance process to reduce costs and to resolve customer account problems sooner (C106.9), and a new Strategic Compliance Planning Model should allocate resources to areas that have successfully improved compliance (C106.8).

To improve the consistency with which compliance cases are handled and to ensure that smaller cases are resolved before they escalate, the IRS should test new workload selection criteria (C106.10) and include these criteria in its modernization program (C106.11). These new workload selection criteria should allow smaller dollar cases to be resolved quickly. Resolving accounts early in the collection process will mean less burden, less interest and fewer penalties for taxpayers and lower costs for the IRS.

• Promote Fair, Consistent Treatment

Problem: Inconsistent treatment, slow resolution of cases, and penalties that are unevenly applied contribute to taxpayers’ perception that they are not treated fairly by the IRS. Currently, customers living in different IRS jurisdictions may get different appeal results on similar issues following an audit.

A 1987 IRS report described many inconsistencies in the use and administration of penalties, even among employees in the same office, because of differing attitudes about fairness, noncompliance and the purpose of penalties. In 1992, the IRS opened an Office of Penalty Administration

to resolve inconsistent administration and measure the effectiveness of penalties. However, with 40 percent of penalties being waived today, the Task Force questioned whether the current system of penalties was working effectively to encourage on-time payment of taxes without undue burden on taxpayers. Some even worried that the system has evolved into one in which penalties can be used to raise revenue, rather than to change taxpayer behavior.

Actions: To promote greater consistency in the appeals process, regardless of where a taxpayer lives, the IRS should develop an automated database to record, analyze and use national appeals data to promote fair treatment in appeals (CI06.12). The organization should undertake a comprehensive review of the fairness and effectiveness of all penalties, report to Congress and make recommendations for legislative changes (FP04.1). To streamline the overall process for handling penalties, the IRS should consider raising the current administrative threshold giving employees expanded authority to eliminate or reduce penalties on the spot, during first contacts with taxpayers and based on oral testimony (FP04.3). This could allow employees to close more cases and reduce more penalties in appropriate circumstances, without requiring documentation or other more formal verification.

III.c Measure What You Want To Get

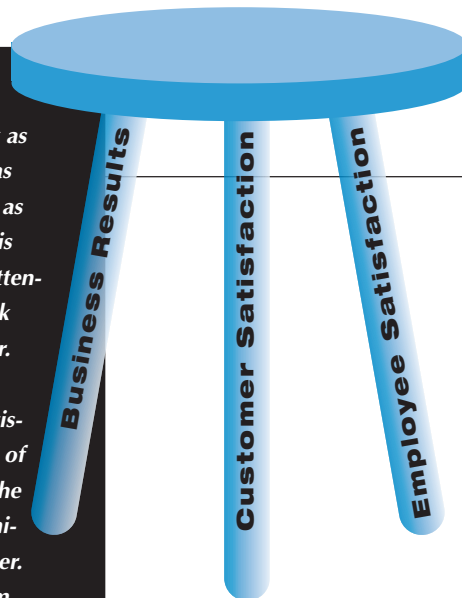
Background: The Internal Revenue Service is a huge organization that, consistent with established management principles and the Government Performance and Results Act, uses a sophisticated measurement system to gauge its performance and that of its employees. However, recent testimony before Congress demonstrated that this system includes measures that have inadvertently resulted in the unfair treatment of taxpayers.

In early October 1997, Acting Commissioner Mike Dolan suspended the use of dollar goals and quotas to rank the 33 district IRS offices based on their financial results; the use of goals for field offices for revenue from collections and audits; and the inclusion of penalties as part of exam-recommended assessments. In announcing a complete ban on these and any similar measures that might lead to unfair treatment, Vice President Gore said, "One of the points the IRS front-line employees made to us over and over again is: 'You get what you measure.'" If you have a performance measurement and rewards system based on dollar goals, it can drive employees toward actions that can lead to problems in their relationship with taxpayers.

The Task Force found that a balanced system of measures is a core management tool in successful companies. This

"Think of the organization as a three-legged stool, with one leg as the employees, the second leg as customer service, and the third as profits. The length of each leg is determined by the amount of attention given to it. If you only look at profits, the stool will fall over. If you don't see that employee satisfaction equals customer satisfaction, that the everyday work of the frontline employee is how the customer experiences the organization then the stool will tip over. A balanced measurement system guarantees that you can easily see the status of your critical indicators and thus know how well the entire organization is functioning."

John West, Federal Express



is what John West, who built the measurement system at Federal Express, calls "the three legs of the stool" — customer service, employee satisfaction, and business results. At Federal Express, the CEO and other top executives spend a half day each week personally resolving employee grievances.

The bonus pool for FedEx executives gives equal importance to business performance, employee satisfaction and customer satisfaction. At American Express, the evaluation formula includes traditional shareholders' indicators of business success, such as return on equity and net profit growth, and productivity measures such as cost per call. Equally important, however, are customer and employee satisfaction. Customer satisfaction measures include timeliness and professionalism. Employee satisfaction surveys count for 25 percent of management evaluations.

In recent years, the Government Performance and Results Act has required federal agencies to begin measuring the effectiveness of their programs and their overall performance. President Clinton's Executive Order 12862, "Setting Customer Service Standards," encouraged these agencies to use customer satisfaction in their performance measures. The Task Force found that public agencies with strong enforcement missions, such as the Securities and Exchange Commission, the Occupational Safety and Health Administration, and the Customs Service, are creating customer service standards and measures that encourage voluntary compliance with the law. They are also using customer feedback to improve operations. Customer service standards include such measures as customers' assessment of courtesy, timeliness, clarity and accuracy of information.

Under a balanced scorecard system, the IRS would reward the success of a customer-oriented approach to tax collection, heading off tax problems before they reach enforcement. Similarly, an employee might be rewarded for a good record of solving customer problems with one telephone call rather than for cutting calls short because the goal is to spend as few minutes per telephone call as possible.

• Create A Balanced Scorecard

Problem: IRS performance measures are production driven, overvalue enforcement, focus on isolated steps, not outcomes, and may inadvertently encourage unfair treatment of taxpayers. However, getting rid of the wrong measures is only part of the solution; the other part is to put the right measures in place.

The lack of balance in the IRS's measures is illustrated by the 1996 IRS Data Book. Page after page describes financial and

enforcement results in detail — \$1.5 trillion collected, \$30 billion collected from delinquent accounts, 10,000 seizures of everything from jewelry to houses and cars, 750,000 liens, 3,109,000 levies on wages and accounts, 9,559 requests for a grand jury, and numbers of indictments, convictions and individuals “sent to prison” by region. Yet Table 10, “Taxpayer Assistance and Education Programs,” takes up only one-third of a page in the 44 page document. It records 99 million taxpayers assisted by telephone, but says nothing about how many callers received busy signals or were placed on hold. It reports that 6.4 million taxpayers visited walk-in service sites but says nothing about how long people waited or if they were able to get the forms or answers they needed. And, despite all the workload statistics, there is nothing about the people who do the work, other than their number, job, and race or national origin.

Actions: Effective October 1997, the IRS banned measures that used enforcement activities to rank districts and assign dollar goals to districts and service centers (MS01). As an immediate next step, in December 1997, the IRS and the National Treasury Employees Union (NTEU) President Bob Tobias conferred to determine a joint labor/management approach to identify additional measures that could lead to mistreatment of taxpayers and that should be discontinued. The IRS should also work with the NTEU to design and test, in 1998, a balanced scorecard that should rate the performance of the IRS and its employees on: (1) customer service; (2) employee satisfaction; and (3) business results (MS02). The balanced scorecard should draw on direct customer feedback,

A Balanced Scorecard: Illustrative Measures

Business Results	Customer Satisfaction	Employee Satisfaction
q % of customers complying with tax laws	q % satisfied customers	q leadership and management
q % accurate returns	q convenient access	q customer knowledge and empathy
q % returns with full payment	q accuracy of products and services	q partnership with unions, local business and others
q revenue collected	q courtesy	q quality of worklife
q unsecured dollars (dollars lost+dollars owed)	q clarity of communication	
q cost of work	q completeness of resolution	
q tax gap (a measure of non-compliance)	q timeliness of services	

including an annual independent survey of customers (MS02.1), and on input from employees in an annual survey (MS02.2).

• Measure Performance On The Right Things

Problem: An organizational emphasis on dollars collected from enforcement activities discourages managers from putting resources into customer service, outreach, education, or creating partnerships with specific industries to correct or prevent tax problems. The Task Force found little room in the existing measurement system for managers or staff to be acknowledged for revenue generated as the result of successful efforts to encourage voluntary compliance. The goal is compliance — the measurement system needs to focus on the goal and encourage multiple strategies to achieve it.

Actions:

Communicate Standards: To send a clear message across the organization that customer and employee satisfaction are important, the balanced scorecard needs to be integrated with performance measurement, management and the reward systems. The IRS should begin by putting in place standards that clearly describe expectations for business results, customer satisfaction and employee satisfaction (MS03.1). It should revise the critical evaluation elements and the reward structure for employees, beginning with executives and managers, to reflect a balanced measurement system (MS02.3).

Accountability and Recognition for Performance: The IRS should take a number of steps to support and reinforce the shift in how it measures the performance of the institution and its employees. It should not only make clear to every employee that rude or discourteous treatment of taxpayers is unacceptable, but should also provide more reinforcement for positive behavior. It should establish specific customer service expectations for individuals in key high-level, high-visibility positions (HP05.1) and specific standards for customer service in every manager's performance plan (HP05.2). To make it clear to front-line employees that it values customer service as well as financial performance, the IRS should first rewrite the critical job elements for all customer service representatives (HP06.1) and then for other positions, especially those dealing directly with the public (HP06.2), to reflect customer satisfaction outcomes.

Team Recognition: The IRS should move from individual rewards for performance to a system that rewards

employees for successful team efforts (HP07.1). It should develop a revised system of measures that goes beyond the current emphasis on individual productivity (HP07.2) to emphasize team accomplishments, especially in providing excellent customer service. Individual special act awards should also be focused on excellence in competencies and customer service (HP07.3).

The IRS should set up a competency-based pass/fail appraisal system for employees (HP03.1) that promotes ongoing learning, counseling, and training geared to individual needs (HP03.2). This new system should separate individual appraisals from awards, although both should remain focused on excellence (HP03.3). The IRS should also evaluate the merit of making changes in the pay system in the future (HP04.1).

Recognize Customer Service: IRS managers and executives should reward and recognize employees who provide outstanding customer service, introducing such rewards as recognition for outstanding customer service managers, peer customer service awards, and awards for outstanding field executives in customer service excellence (HP16.1, HP16.2).

III.d Help Employees Serve Customers

Background: One-half of the IRS's more than 100,000 employees deal directly with customers. Although only eight percent of them work directly in taxpayer services, more than 40,000 other employees also deal with taxpayers on audits, collections or other activities.

Success in reinventing service at the IRS depends crucially upon these front-line employees, their managers and the other employees who support them. If, as industry has learned, employee satisfaction and support are prerequisites for customer satisfaction, then the IRS has significant work ahead. According to a 1995 employee survey by the IRS, only 56 percent of the employees were satisfied with their jobs. Most employees do not believe that they are rewarded for providing high-quality service to taxpayers. Less than half feel that they are encouraged to come up with new and better ways of doing things or that other employees, the union or management are receptive to change. Only about one-third feel that the IRS encourages risk-taking without fear of punishment. Just a quarter believe that management follows up on employee suggestions for products, services and operational improvements.

Each of the front-line IRS employees on the Task Force represented hundreds more from all over the country who were interviewed by the Task Force or wrote in their concerns and suggestions for change to the Task Force.

Many of their letters and e-mail messages describe IRS employees battling delays and roadblocks to do their jobs right — such as extracting needed information from separate and incompatible computer systems to solve simple taxpayer problems.

“This job is frustrating enough without having to feel like an idiot because it takes so long to do things. The computer goes down half the time, sometimes in the middle of a conversation. It’s difficult to access some things because of the way the command codes are . . . At times the forms we have to fill out are low in supply or no supply and we have to hunt for a form. Or there’s no paper in the printers and we can’t find any!!” wrote Colleen Mathis, an employee in the IRS office in Nashville, Tennessee.

Just as the vast majority of Americans work hard and pay their fair share of taxes, the vast majority of IRS employees are dedicated, hard-working, civil servants. To help them serve taxpayers, IRS employees need systems that balance voluntary compliance, customer service and enforcement, and they need the tools to do the job properly.

Experience from private sector companies demonstrates that real improvement in customer service requires full participation of the workforce. The CEO of Citibank recently said that the single most important performance measure is employee well-being, which leads to customer satisfaction and in turn to business results. At Toyota, when the company asked employees to recommend ideas for improvement, it implemented 95 percent of the 38,000 proposals in a single year with spectacular results. At a Xerox company event in the early 1980s, the CEO

publicly bemoaned management's belated discovery that the company's profits had plummeted because it was making shoddy merchandise. One of the manufacturing employees spoke up, telling the CEO that line employees had known all along that equipment was substandard, but no one in management had asked about it. Starting with this exchange, front-line employees became full participants in a complete refocusing of the company. The final result was a corporate turnaround that involved employees and the union in quality control and won the company the Baldrige Award for corporate excellence in 1989.

- **Give Employees The Tools They Need To Do Their Jobs**

Problem: Too many IRS employees simply do not have access to the information and tools they need to do their jobs. Employees are as frustrated as customers when they can't get current information about changes in the tax laws or don't have a fax machine, tax forms or other information they need to serve customers.

Actions:

Give Employees Electronic Access to Tax Law Information: New technology can give IRS employees much easier and faster access to the huge amount of tax information — technical, procedural and account-related — that they need to provide outstanding customer service. The IRS should expand work on the Electronic Performance Support System being developed by the Electronic Performance Support System Institute to give employees access to tax law information (HP09.1). Early work should focus on creating and deploying the first generation of technology specifically directed at serving customers (HP09.3). The overall goal is to expand electronic performance support

systems both within the customer service departments and across the entire organization (HP09.4). All efforts to improve employees' access to information should contain mechanisms to protect the privacy of taxpayer information.

Support IRS Employees Who Deal With the Public: As it carries out the Modernization Blueprint, the IRS should ensure that all employees who deal with the public have electronic tools on their desk as their primary source of information and technical support (HP13.4). To achieve this, the IRS should determine the needs of customer service representatives and ensure that the Modernization Blueprint's electronic tools support these employees in meeting customer service goals (HP09.2, HP09.5). The IRS should also build additional applications directed at providing customer service so that all applications and systems designs will be performance-based and fully integrated with the IRS business systems (HP09.6, HP09.7). This also means using the Modernization infrastructure to deliver employee performance assistance methods and training capabilities to the employee desktop whenever possible (HP02.8).

Provide Appropriate Support in an Electronic Environment: To employees who deliver customer service, even small steps make a big difference. Where possible, the IRS should provide employees with access to fax machines so that they can send forms and other information to customers (CI03.9). The IRS should also review the need to improve employees' immediate workstations to better serve their customers (CI03.11). Also, as information technology changes how the organization does business, the IRS should continue to ask employees for ideas on how automation can improve operations (CI03.10).

• Reinvent Training For Better Customer Service

Problem: Today IRS employees are not adequately trained to serve customers. According to a 1995 IRS employee survey, only 44 percent of the employees thought that they receive the training they need. An IRS workforce that serves its customers needs the behavioral and technical skills to answer questions, resolve problems and meet other customer needs.

Actions:

Assess and Train Employees in The Skills and Behaviors

They Need: The IRS should close the gap between its business needs and the skills possessed by its employees, building on the Performance-Based Development System (HP02.2) that is currently under development. This System has defined the required general competencies, the gap between present and those desired competencies, and competency training needs. The IRS should assess the skills of its employees and match their skills to jobs (HP02.1, HP02.3). It should also provide training where there is a gap between the skills demonstrated by employees and those needed by the IRS (HP02.4, and HP02.5).

Set Goals: To serve as an incentive, the IRS should set a goal of achieving core customer service skills for IRS employees that are higher than the national average for business (HP02.6). To sustain its focus on learning and skill development, the IRS should also begin annual reviews of gaps between employee skills and organizational requirements (HP02.7).

Use Emerging Technologies to Support Learning:

High-quality training is an important factor in creating excellent customer service. Traditional, classroom-bound

methods are insufficient. The IRS should use interactive video training during the initial rollout of the proposed changed mission, and follow up by continuing regular programs focusing on customer service and organizational goals relating to customer satisfaction (HP08.2). Video training should become the major training delivery system for all-employee and other large-group training sessions (HP08.1).

• Get The Right People In The Right Jobs

Problem: The IRS needs to do a better job of selecting, training, evaluating, rewarding and supporting those employees who directly serve customers. The employee selection process has too many unproductive steps and excessive reviews and too little focus on identifying candidates with the necessary job skills. The process leaves managers with little flexibility or authority and results in the hiring of potentially unqualified employees.

The Task Force believes that to really make a difference in how the IRS serves customers, the IRS must fundamentally change how it selects, trains, evaluates, rewards and supports its employees (HP01.1). This begins with defining the skills that are required to serve customers and then making them part of the process for recruiting, selecting and promoting employees. The IRS has already identified specific behavioral skills, such as customer sensitivity and listening, that are needed for customer service positions, and has made progress defining technical skills, such as knowledge of tax law, needed for other positions.

Actions:

Change How Employees Are Selected: The IRS should use pre-employment screening and testing of skills in hiring, starting with customer service personnel (HP01.6, HP01.9,

HP01.10, HP01.11, HP01.12). It should define measurable technical and behavioral skills required for all positions (HP01.2) and apply them to the selection of executive, managerial and bargaining unit positions (HP01.7, HP01.8). It should also use the Internet to let candidates know what skills IRS is seeking (HP02.9).

Create a Diverse Pool of Qualified Candidates: To shorten the process of hiring internal candidates and to identify and select qualified employees, the IRS should offer a self-administered pre-qualification test to interested individuals (HP01.3), create a pre-qualified pool of internal candidates possessing these skills, and fill vacancies from this pool (HP01.4, HP01.5).

• **Foster A Family-Friendly Workplace**

Problem: Employees and the work environment in an organization often have an impact on the way customers are treated. One element of this work environment included in the Task Force review was the IRS's implementation of President Clinton's June 1996 Presidential memorandum to all Executive Branch Heads and the Federal Employees Family-Friendly Leave Act. Across the federal government, as well as in the private sector, workers are trying to balance work and family responsibilities. The IRS has made positive strides in implementing a family-friendly work environment, but there is not yet an organization-wide understanding of these initiatives. As a result, they have not been implemented evenly across the IRS.

Actions: The Task Force calls for building on the IRS's successes and expanding current programs to foster a family-friendly workplace. The IRS should, where appropriate, allow more employees to use flexible hours

(HP17.2), and should solicit more employee feedback about current family-friendly programs (HP17.4). To the maximum extent possible, the IRS should make child care more affordable for IRS employees (HP17.1) and expand flexi-place or telecommuting arrangements (HP17.3).

• **Create An Ideas Advocate**

Problem: Front-line employee knowledge about customer needs and ways to satisfy those needs is the backbone of successful customer service organizations. Currently, there is no effective avenue for front-line employees to submit their ideas directly to decision-makers. Nor is there a central place for coordination and communication of the various efforts and new ideas that are being pursued on an ad hoc basis within the organization.

Action: The IRS should, within current resources, create an Ideas Advocate who will communicate directly with the Commissioner regarding employee suggestions for improvement (HP12.1). The Ideas Advocate should:

- Encourage and collect ideas from employees; ideas should be able to go directly from any employee through the Ideas Advocate, to the Commissioner;
- Provide feedback to employees about individual suggestions that are implemented; and
- Communicate with IRS employees and others to promote customer service.

• Get The Customer Service Message Out

Problem: In an organization as large as the IRS, it takes much too long for front-line employees to learn about new procedures, changing operations and goals.

Actions:

Start Right Away: Before the end of the 1998 filing season, the IRS should have an intensive, organization-wide special training program to introduce employees to the new approach to customer service (HP15.1).

To further support the new emphasis on customer service, the IRS should:

- develop an annual IRS-wide customer service orientation for all employees (HP15.2);
- create a customer service brochure to highlight and communicate the customer service expectations of IRS employees (HP15.3);
- centralize oversight and responsibility for major communication initiatives (CM05.1); and
- give the course entitled “Leading Empowered Workgroups” to all managers and employees (HP11.5, HP11.6).

Use Every Means to Get the Message Out: The IRS should use the new tools of electronic communication, including the Voice Messaging System, IRS Intranet, bulletin boards, interactive video teleconferencing, as well as paper communications, to deliver quarterly reports on IRS performance to all employees (HP13.2). It should also use the Intranet to reinforce a consistent customer service message (HP15.4), and use Intranet and other technology to improve the distribution of information that employees need to keep up with changes that affect customers, such as changes in tax laws and procedures (CM05.2).

IV. Conclusion

On May 20, 1997, Vice President Gore and Treasury Secretary Rubin set forth a broad challenge to the IRS: to dramatically improve the way it serves its customers — the American taxpayers. The Customer Service Task Force spent five months interviewing customers, analyzing data, and evaluating best practices in an effort to meet that challenge.

The IRS has already begun to build a new relationship with its customers. On Saturday November 15, it held the first of monthly “Problem Solving Days,” where customers met face-to-face with IRS officials to solve their tax problems. Approximately 6,300 taxpayers attended the first Problem Solving Day, and 75 percent of respondents to the day’s satisfaction survey gave the IRS the highest rating for overall service.

The IRS has also already stopped ranking district offices based on revenue measures and has implemented an interim procedure to ensure that the seizures of taxpayer property are made only when appropriate. These and other recent activities demonstrate the IRS’s commitment to rebuild the trust of the American people. It may be impossible to hope that the public will ever love the tax collector, but in time they may agree that the IRS does a difficult job fairly, respectfully, and courteously.

This report covers a wide variety of issues, ranging from